

**Statement of PPL Montana  
Before the Energy and Telecommunications Committee  
Of the Montana Senate  
In Support of Senate Bill No. 45  
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Mr. Chairman and members of the Committee:

I stand in support of SB 45 and would like to thank Sen. Keane and many others for their hard work in putting this bill together. This bill was approved unanimously by the Interim Energy Committee.

This bill supports and strengthens the renewable portfolio by providing a non-intermittent stable supply of power that needs no expensive load-following product; and it supports business decisions to make significant investments in Montana.

PPL Montana is making a significant upgrade investment at the Rainbow plant near Great Falls with the new plant coming on-line this spring—an investment expected to be nearly \$240 million. This project involves construction over a three-plus-year period of a new power house, increasing production at that plant by about 24 megawatts without any significant change in the operation of the river. The new power house will also contain a water turbine that is much more “fish-friendly” than the existing eight smaller turbines.

I think all of you have voted for or carried a hydro upgrade bill similar to this, so I won't spend any more time repeating what you already know about the benefits of hydro upgrades.

However, I will make a case for the effective date of this bill—a date some characterize as retroactive. By passing this bill you not only recognize the validity and benefits of hydroelectric production—you make it a first class citizen in the renewable world, on par with wind, solar and biomass.

You allow the inclusion of 24 megawatts achieved at the Rainbow expansion project—a project that has been in the making for over 3 years and has created hundreds of jobs and economic vitality.

And you validate the will of the legislature from the past two sessions when you endorsed this concept overwhelmingly only to have it vetoed. Let me address that issue.

The Governor vetoed the bill, in large part, because he argued it would create a windfall for PPL Montana since the project was already committed to or commenced.

True, the project was commenced in good faith in the fall of 2009 because it was the right thing to do—but why deny Montanans the opportunity to meet the RPS requirements with home-grown hydro power that provides hundreds of jobs and creates hundreds of millions of dollars in investment?

The supposed “windfall” to PPL amounts to this—

As a retail provider to some large industrial customers in Montana, PPL needs a certain number of RECs a year—for purposes of this discussion let’s assume we need 20,000 RECs. (Rainbow upgrades would total about 125,000 MWHs/year, meaning 125,000 RECs). However, in order to comply with the RPS requirements in the past, we have had to petition the PSC to allow wind farm credits from Oregon because there were no available RECs in Montana. The cost of those 20,000 RECs was a negotiated amount, but the maximum cost would be equal to the penalty of \$10/REC imposed by the PSC, or \$200,000. Not much windfall when compared to a \$240 million investment.

Beyond that, there is no market for these RECs in Montana as NorthWestern and MDU have secured sufficient RECs from wind. Nor is there an out-of-state market as yet since other states do not recognize Montana hydro or hydro upgrades as renewable. However, if NorthWestern or MDU ever needed additional RECs, these could be available. And if other states were to recognize Montana upgrades as renewable, they could be marketed there.

In conclusion Mr. Chairman, endorsing a bill to make hydro upgrades renewable and retroactive:

- Does NOT create a significant “windfall” to PPL or anyone else;
- It recognizes the importance and value you place on upgrading hydroelectric projects as well as the jobs created and the significant investment; and
- It affirms the will of this legislature when you overwhelmingly passed this bill last session and when you overwhelmingly rejected the Governor’s amendatory veto that removed the retroactive application.

This bill provides an incentive to all hydro owners in Montana in determining whether or not to make these significant investments. Under this bill, such investments would provide good-paying jobs, stimulate economic development, and bring stability to the renewable supply.

I urge your do-pass vote. Thank you.